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C O N F I D E N T I A L SECTION 01 OF 02 BAGHDAD 000410

SIPDIS

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TAGS: PBTS PREL MARR MOPS IZ KU IR  
SUBJECT: SIGNS OF IMPROVING IRAQI-KUWAITI RELATIONS

REF: A. BAGHDAD 388  
1B. BAGHDAD 296  
1C. KUWAIT 125  
1D. 08 BAGHDAD 2427

Classified By: Senior Advisor Gordon Gray for reasons 1.4 (b) and (d).

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SUMMARY  
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11. (C/REL MCFI) In a February 12 meeting with Senior Advisor Gordon Gray, Deputy Foreign Minister Haj Hamoud detailed his February 4-5 visit to Kuwait. He said in meetings with Kuwait's Prime Minister and Foreign Minister, he made progress on an array of issues, including: how to deal with shared oil fields; border maintenance; the transfer of Iraqi farmers residing on the Kuwaiti side of the border; the Safwan border crossing; and compensation issues. Hamoud said the Kuwaitis "had no problem with the upcoming survey of the Khor Abdullah waterway" (KAA). Hamoud said Iraq will pay \$300 million and the Amir of Kuwait \$200 million to settle the Kuwaiti Airways dispute. Kuwaiti Foreign Minister Mohammed al-Sabbah will see Foreign Minister Zebari at the Arab League Ministerial in Cairo in March and will plan a visit to Iraq shortly thereafter.  
End summary.

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SHARED OIL FIELDS  
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12. (C/REL MCFI) During their February 12 meeting to discuss the Iraq-Kuwait bilateral relationship, Deputy Foreign Minister Haj Hamoud told Senior Advisor Gordon Gray that his February 4-5 visit to Kuwait went well: "everything" was discussed and he was able to convince the Kuwaitis of many things. On shared oil fields, Hamoud said the GOI and GOK agreed to cooperate in the preparation of the fields and that when fields are ready for exploitation, the two countries will employ experts to provide suggestions on how to best share the resource. (Note: This is consistent with Iraqi Oil Minister Shahristani's remarks to EMIN on February 12 - ref A.) Within a month, representatives of the two countries' Ministries of Oil would meet for further discussions. Hamoud said he deflected efforts by Kuwait to raise the related topics of exporting gas to Kuwait and the exploitation of oil in Iraq by Kuwaiti businesses by demurring that his authority was limited exclusively to the subject of common fields. Iraq would try to reach a similar agreement on shared fields with Iran as well.

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LAND BORDER ISSUES  
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¶13. (C/REL MCFI) Regarding the pillars demarcating the border between the two countries (refs B and D), Hamoud said Iraq knew it needed to maintain the structures in accordance with UN Security Council resolutions and that it would do so. As for the transfer of farmers from the Kuwaiti side of the border to the Iraqi side, Hamoud said he received instructions from the Iraqi Foreign Minister to go to Basra to settle the issue of relocation and compensation of the farmers with judges there, whom he laughingly described as less corrupt than government officials in Um Qasr. MFA engineering expert Ambassador Zayeed would travel to Kuwait next week to meet with the Kuwaiti Foreign Minister and the Kuwaiti Fund for Arab Economic Development, to address the issues of the farmers located on the border and the long-standing Kuwaiti offer to construct a housing complex for them.

¶14. (C/REL MCFI) Hamoud said that Zayeed would also discuss with the Kuwaitis their offer to construct a new customs facility on the Iraqi side of the border crossing at Safwan, and acknowledged that Iraq needed to extend the limited hours it is open. He said a pre-fabricated building would be placed on the site while a new facility will be constructed. Iraq also agreed to the construction of a road that will run parallel to its border with Kuwait, once a project to clear mines from the area is completed.

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MARITIME BORDER ISSUES  
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¶15. (C/REL MCFI) On the subject of the sea border, Hamoud said there were two distinct areas: the Khor Abdullah waterway (KAA) and the area approaching the open sea beyond the KAA. Asked if he raised the issue of the upcoming survey of the KAA and the waters just beyond it, Hamoud said that he did and that the Kuwaitis "had no problem with it because it is in Iraqi water and Iraqi territory." He said that he explained to the Kuwaitis that an MOU addressing the wreck-clearing project was still with the five-minister committee in Baghdad, but that it has been difficult to find all five ministers in the capital at the same time - for even five minutes.

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COMPENSATION CLAIMS  
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¶16. (C/REL MCFI) On the subject of compensation for Kuwait, Hamoud said the two countries need to have a meeting "under the umbrella of the UN," where they could find "a radical solution," not just to the amount of outstanding claims but with an aim toward eliminating the debt entirely.

¶17. (C/REL MCFI) Hamoud explained that Kuwait was willing to settle the Kuwait Airways claim of \$1.2 or \$1.3 billion for \$500 million, while the Iraqis offered \$300 million. Hamoud said the Amir of Kuwait had agreed to pay the difference, which Foreign Minister Zebari had told us previously. This settlement, he claimed, "closes all claims regarding the Kuwaiti Airways planes."

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VISIT TO IRAQ BY KUWAITI FOREIGN MINISTER  
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¶18. (C/REL MCFI) Hamoud said that the Iraqi and Kuwaiti Foreign Ministers would see each other at the Arab League Ministerial in Cairo in early March and make plans then for the Kuwaiti's visit to Iraq shortly thereafter.

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A CAUTIONARY NOTE

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¶9. (C/REL, MCFI) While Hamoud was enthusiastic about the apparent breakthroughs on a number of bilateral issues with Kuwait, many of the matters still require approval or action from the Prime Minister's office. Hamoud, made plain that there exists "a kind of war, between the Foreign Minister and the Prime Minister," which he described as "a personal rivalry that harms everything." End note.

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